

## **THE BUDGET PROPOSAL OF THE CABINET 2014/2015**

### **Budget Headline**

**This is the second year of the period covered by the 2013-14 to 2015-16 medium term plans. The plans were underpinned in the Budget approved by Council in February 2013.**

**The proposed 2014/2015 Budget focusses on the variations required to the three year plan and continues to focus on protecting high priority frontline services and investing in the future of our area, promoting new homes and jobs.**

**We are proposing that Council Tax is frozen in 2014/15 for the fourth consecutive year, recognising the on-going pressure on household incomes. The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,201.85 which represents no change on the previous year (no increase).**

**The proposed net revenue budget for Bath & North East Somerset Council next year, 2014/15, is £119.926m, a net cash reduction of £3.524m on the previous year. This reflects the impact of significant cuts in government grant funding amounting to 9.6% for 2014/2015.**

### **The Budget Context**

The financial challenge was summarised last year equating to a 40% reduction in the Council's government grant funding over the period 2011/2012 to 2014/2015. The challenging outlook for local government funding as set out in the Autumn Statement in December 2012 looked to continue well into the future and over the period of the Medium Term Service and Resource Plan from 2013/2014 to 2015/2016 we estimated at least £30M of savings would be required.

Since then there have been a series of Government announcements that have increased this challenge. The key announcements and effects are as follows:

- The Budget Statement delivered by the Chancellor on 20 March 2013 provided for an additional 1% cut in council funding assessments for 2014/2015. This actually equates to a further 2% reduction in grant (from 16% to 18%).
- The Spending Review 2013 announced by the Chancellor on 26 June 2013 covers the 2014/2015 and 2015/2016 financial years and together with subsequent consultation documents, sets at least a 13.5% reduction in council funding assessments for 2015/2016. This actually equates to a 27% reduction in grant.
- A reduction of 20% in the Education Support Grant in 2015/2016.
- The confirmation of a Council Tax Freeze Grant for both 2014/2015 and 2015/2016 equivalent to 1% of council tax for councils who freeze their council tax in these.
- The Local government Finance Settlement on 18<sup>th</sup> December 2013 which confirms the anticipated reductions in grant funding for 2014/15 and 2015/16.

Total reductions in Government Grant Funding are now estimated to average 10.8% per annum over the period 2011/12 to 2015/16 as set out in Table 1 below:

**Table 1: Reduction in Government Grant Funding**

	2011/12	2012/13	2013/14	2014/15	2015/16
Actual B&NES Funding Reduction	-13.5%	-8.3%	-9.4%	-9.6%	-13.4%

These changes, together with the existing savings to be identified, mean further savings totalling at least £6m for the Council need to be identified over the next two years. This assumes the savings in the existing approved medium term plans are delivered in full.

For 2014/15 the Budget focuses on the variations that are needed to the approved medium term plan to deliver a balanced Budget proposal. The specific variation proposals together with the new and emerging priorities are set out in more detail within this report.

The Cabinet's aim remains to achieve the medium term plan with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes.

The Council has a prudent level of reserves and can use these to smooth the effects of policy changes and additional financial challenges.

The indication from Treasury figures is that an equally tough set of financial targets will need to be repeated in the next 3 year plan which starts in 2016/2017, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities will be less.

### **Structure of the Budget Proposal**

Section 1 sets out the approach to the revenue and capital budget and the build-up of the recommended revenue budget for 2014/2015. Annex 1 provides the breakdown of the Budget for 2014/2015.

Section 2 sets out the position regarding the WoE City Region Deal.

Section 3 sets out the recommended capital programme for 2014/2015 including the indicative capital programme through to 2018/2019. Annex 3 provides more detail.

Section 4 sets out the current position on revenue balances taking into account the proposals for prudent use of reserves.

Section 5 sets out the implications of the revenue budget for Council Tax levels for 2014/2015.

**Table 2: Summary Net Revenue Budget and Capital Programme 2014/15 – 2015/16**

	<b>2014/15</b>	<b>2015/16</b>
<b>Revenue Budget Funding:</b>	<b>£m</b>	<b>£m</b>
Council Tax	72.632	72.782
Council Tax Freeze Grant	0.800	1.590
Revenue Support Grant	26.462	19.505
Retained Business Rates (after tariff)	20.954	21.237
Reserves & Collection Fund Surplus	(0.922)	0.232
<b>Total Funding</b>	<b>119.926</b>	<b>115.345</b>
<b>Net Revenue Budget Spend</b>	<b>119.926</b>	<b>115.345</b>
<b>Capital Programme – for approval</b>	<b>65,865</b>	<b>3,800</b>
<b>Capital Programme - for provisional approval (subject to)</b>	<b>35,817</b>	<b>30,750</b>

**Note:** Revenue Budget figures beyond 2014/2015 are indicative only. Some of the figures in the table are affected by rounding.

## Section 1 – The Revenue Budget for 2014/2015

### The Budget Proposal

Each Directorate of the Council prepared a detailed Medium Term Service and Resource Plan (MTSRP) covering a full three-year period from 2013/2014 to 2015/2016. These plans were agreed as part of the Budget in February 2013 and progress against each of these was reported to the relevant Policy and Development Scrutiny (PDS) Panel throughout November 2013.

The MTSRP's set out the specific service and resource requirements for 2013/2014 to 2015/2016. Feedback from the individual PDS panels, the four Budget Fairs, the community, trade unions and other stakeholders has been considered by the Cabinet in arriving at the proposed Budget for 2014/2015.

The proposed Budget continues to recognise the very difficult financial challenge now facing the whole of the public sector and the increasing need to prioritise resources. The following principles have continued to be used to support this:

- Protecting frontline services;
- No increases in Council Tax;
- Investing in homes and jobs for local people.

There are no longer the available resources to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This will increasingly mean difficult choices.

The Budget proposal for 2014/2015 sets out the variations to the medium term plan approved by the Council in February 2013 that have arisen for 2014/2015 for a number of reasons including:-

- The implications of the 2013 Budget Statement and Spending Review
- The provisional Local Government Finance Settlement
- Unidentified savings in the approved medium term plan
- Areas where savings or additional income are now unlikely to be delivered
- Revenue impact of additional capital schemes
- Changes to the Council Tax Base

In order to present proposals for a balanced budget in 2014/2015, the Cabinet have examined a range of options to generate the additional savings or income, required to address the arising Budget gap. Where possible the Cabinet has sought to avoid further frontline service reductions and focus on efficiency, innovation, demand changes and trend analysis to meet this challenge.

### **Corporate Assumptions**

The key assumptions which underpin the budget are summarised below – full details are included at Appendix 3:

- A pay increases of no more than 1% in each year of the MTSRP 2013/2014 to 2015/2016.
- Continued low rates of interest from treasury management cash investments of 0.5% per annum. The Council will maintain a minimum cash policy.
- Provision for a 2% per annum increase in the level of the employers' contribution to the Local Government Pension Fund has been provided for within the MTSRP, recognising the outcome of the Actuarial Review in 2013.
- Balanced budgets are achieved for 2013/2014 with no related on-going funding pressures.
- No general inflationary provision – specific inflation has been provided and identified as growth within service areas based on specific service circumstances and contractual commitments
- That capital funding is provided as far as possible from Capital Receipts and internal cash flow. New borrowing will be kept to a minimum subject to market conditions.
- Fees and charges set by statute will be calculated in accordance with defined calculations under statutory guidance.
- The level of discretionary fees and charges are delegated to Officers, in consultation with the relevant Cabinet member, will generally increase in line with the increase in the costs of the relevant service.
- No increases are proposed to Car Parking Charges during 2014/2015.
- Park and Ride Charges – charges are now set by the operator within agreed contractual limits.

### **Government Grant Funding**

The provisional Local Government Finance Settlement was announced on 18 December 2013 and provided government grant funding figures for 2014/15 together with indicative details for 2015/2016.

This showed the Council's funding baseline for 2014/2015 reducing by 9.6% and then by a further 13.4% in 2015/2016. Whilst these numbers represent a significant reduction of £11.4M in cash terms over the two years, this is in line with the scale of cuts we were anticipating in the updated medium term financial plan.

The funding baseline itself takes account of the start-up funding baseline for the Localised Business Rate element so the overall reductions in Revenue Support Grant (RSG) equate to far larger percentages (17% and 26% respectively for 2014/15 and 2015/16). In reality reductions to RSG will look increasingly large in percentage terms as the Government seeks to take the cash reductions from an increasingly reducing pot of RSG funding.

This settlement confirms that B&NES Council will remain one of the lowest funded unitary authorities in fact the Council has the 9<sup>th</sup> lowest spending power per dwelling when comparing all Unitary Authorities for 2014/2015.

Revenue Support Grant now includes the grant funding support for the Local Council Tax Support Scheme which became a new responsibility for local government in 2013/14. The local scheme for the Council was designed to ensure the 10% reduction in funding provided by the government at the time was captured within the scheme itself. The actual grant funding now provided by the government is effectively lost as the grant has been merged with RSG – the overall cuts to which are set out above. No further changes have been made to the LCTSS by the Council for 2014/2015.

The New Homes Bonus Scheme which provides funding for new homes brought into use and included in the Council Tax Base, was provisionally confirmed at a total of £2.665m for 2014/2015. This is the fourth year for funding for New Homes Bonus and includes an additional £0.688m for 2014/2015. The New Homes Bonus scheme runs for 6 years from the year of initial allocation. This funding is un-ring-fenced and is currently fully allocated as part of the overall revenue budget supporting all Council services.

Potential changes proposed to allocation of the New Homes Bonus Scheme for 2015/2016 initially set out in the Spending Review in the summer of 2013, were not implemented in the Provisional Financial Settlement.

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year – 2014/2015. The grant is equivalent to a 1% Council Tax increase and is confirmed as being included in the baseline grant funding calculations going forwards.

The Settlement announcement confirmed the requirements for a council tax referendum, where any council increases council tax by more than a prescribed level. This was originally stated to be 2% however, the government is currently reviewing this figure and no announcement is expected before early February 2014. There is some speculation that this figure may reduce below 2%. This is clearly irrelevant for councils accepting the council tax freeze grant although the position in relation to other precepting bodies including police, fire and parish and town councils, is key for the overall council tax setting decision.

## **Retained Local Business Rates**

The 2014/2015 financial year will be the second year of operation of the retained local business rate shares although with the first year yet to be completed and uncertainty still exists on many aspects of the new arrangements.

The Council now retains about a third of all future growth in business rates which, comprises 49% of growth less a levy payment of 31p in every £1 to provide for a national safety net.

Whilst the Council benefits from new growth it also bears 49% of the cost of reductions in business rates from for example, appeals, business closures or relocations, charitable reliefs etc. A national safety net will be provided where business rates reduce by over 7.5%, equivalent to approximately £2M for the Council.

As part of the Autumn Budget Statement and the provisional Local Government Finance Settlement the Government announced the introduction and extension of a range of business rate reliefs including small businesses, new retail premises and a cap on the annual inflationary increase. This includes the following two business rate measures which will require delivery through the Council's local discount powers (under s47 of the Local Government Finance Act 1988):

- A discount of £1,000 for shops, pubs and restaurants with a rateable value below £50,000 for two years up to the state aid limits, from 1<sup>st</sup> April 2014;
- A 50% business rates relief for 18 months – between 1 April 2014 and 31 March 2016 – for businesses that move into retail premises that have been empty for a year or more;

It is requested that authority to update the council's discretionary relief policy to reflect these new temporary reliefs is delegated to the Council's Section 151 Officer, in consultation with the Chief Executive and Cabinet Member for Resources.

The Government has indicated that the cost of all these reliefs will be met through the "New Burdens" provisions. We still await full details of how some of these payments will be made.

As part of the proposed Budget, reasonable assumptions have been made for likely future Business Rates and actual experience for first year of operation will help inform future Budget setting assumptions. Any surplus or deficit on the Business Rate Collection Fund will be transferred to an earmarked reserve for consideration as part of the Business Rates calculations for 2015/2016.

The introduction of the West of England City Deal for 2014/2015 should have no impact on retained local business rates as the pooling arrangements will include a "no worse off" provision. Further details of the City Deal are set out in the Section 2 of this report.

## **Social Fund**

In April 2013 the Council started to operate a Local Welfare Support Scheme, which was funded by the DWP to the sum of £249k following the abolition of the Social Fund.

Customer Services set up a dedicated team to administer this new provision in accordance with a newly established Welfare Support Policy which enables additional financial support to be given to the most vulnerable Members of our Community with payment towards short term support such as essential food supplies, and essential household items. The scheme has also been used to give short term support to those struggling to pay Council Tax following the introduction of the new Council Tax Support Scheme.

We are on course to spend the full award this year and the same amount of money has been provided for 2014/15.

The provisional settlement has indicated that the award of this funding will change from 2015 onwards and will no longer be provided as a specific grant to the Council, instead forming part of the RSG settlement. The Cabinet will bring forward proposals for how this will be funded as part of the 2015/2016 Budget process.

## **Schools Funding**

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education. The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.

The Dedicated Schools Grant (DSG) increase compared to 2013/2014 is complicated by the conversion of several schools to academies, and the transfer of additional responsibilities into the DSG from other funding routes. The overall increase in the DSG is estimated for 2014/2015 at £1.1m with total funding of £117.7m. The majority of the additional funding relates to the transfer of funding for 2 year olds and the funding for post 16 special needs provision, that have transferred from the Early Intervention Grant and the Education Funding Agency respectively. Additional resources are also provided to accommodate increased pupil numbers in our schools. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

Whilst the Dedicated Schools Grant (DSG) is being allocated to Local Authorities on a cash freeze basis. In 2014/2015, The Pupil Premium allocations for maintained schools are increasing from £900 to £1300 per Free School Meals (FSM) primary pupil, from £900 to £935 per FSM Secondary pupil and from £900 to £1900 for pupils in categories of being Looked After. This increase will bring the total payable to B&NES schools to £2.85m in 2014/2015, an increase of £650k. This represents approximately a further 0.85% increase in overall resources for schools.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £39.9m in 2014/2015 leaving £77.8m payable to the Council.



This recoupment by the DFE is based on 10 secondary, 3 special and 3 primary academies in 2014/2015. It is difficult to assess whether there will be more schools converting to academies over the next year.

Further budget changes to council funding are generated by the creation of the Education Services Grant (ESG) to replace the recoupment process for resources for academies taking on the statutory responsibilities of the council. Schools converting to academies and the Local Authority will be allocated resources that were originally part of the local government settlement. The grant allocations are based on pupil numbers in the establishments with academies being funded directly and the Local Authority receiving the allocation for all maintained schools. As schools convert to academies the resources allocated to the Local Authority under the ESG would diminish on a per pupil basis.

### **The Better Care Fund**

As part of the provisional local government finance settlement, the government have introduced the Better Care Fund to be spent locally on health and social care. The purpose of the fund is to drive closer integration and improve outcomes for patients, service users and carers through the establishment of pooled budgets.

Nationally this amounts to some £3.5bn in revenue funding by 2015/2016 although crucially the majority of this is not new money, it is a reprioritisation of existing Health Service funding.

This Council already has a well-established integrated partnership in place with the Bath and North East Somerset Clinical Commissioning Group. This includes significant arrangements for shared funding and pooled budgets to support community health and social care.

The 2014/2015 Budget proposal already incorporates the following financial provisions which will now be classified as falling within the Better Care Fund:-

- £2.6M of Section 256 Funding in the Council base budget to support adult social care services.
- £608K of initially one-off funding in 2014/2015 to potentially support set up costs for the implementation of the Care and Support Bill, the Dilnot Social Care Funding Cap, and development of performance metrics.

For 2015/2016 further work will be undertaken to clarify the allocation of funding to the Council as part of the Better Care Fund. This will be subject to further development and planning with the Clinical Commissioning Group and relevant health service providers. The specific proposals for this Fund will form part of 2015/2016 budget process.

In accordance with government requirements, the Council, Clinical Commissioning Group and Health and Wellbeing Board will be required to sign of a Better Care Plan by 31 March 2014, outlining how the Fund will be used to improve a range of health and social care outcomes.

This Better Care Plan is currently being drafted and it is recommended that the Council should delegate sign-off of the Better Care Plan to the Health and Wellbeing Board in consultation with the Chief Executive, Leader and Cabinet Member for Community Resources.

### **Variation Budget Savings**

The medium term service and resource plan covering the period 2013/14 to 2015/2016 was agreed as part of the Budget process in February 2013. This included a range of actions to meet the majority of the anticipated financial savings required over this period.

This plan indicated that further savings of £1.1m and £2.9M remained to be identified for 2014/2015 and 2015/2016 respectively to fully close the anticipated budget gap.

In addition to this existing budget gap, a range of further variations to the medium term plan approved by the Council in Feb 2014 have arisen for 2014/2015 for a number of reasons including:-

- The implications of the 2013 Budget Statement and Spending Review
- Areas where savings or additional income are now unlikely to be delivered
- Revenue impact of additional capital schemes

In order to present proposals for a balanced budget in 2014/2015, the Cabinet have examined a range of options to generate the additional savings or income, required to address the arising Budget gap.

Where possible these proposals for variation budget savings will avoid further frontline service reductions and focus on efficiency, innovation, demand changes and trend analysis.

Full details of the variations are set out at Appendix 2

### **Resource Allocation including Recurring and One-Off Funding**

The Cabinet has considered the allocation of recurring and one-off funding to meet resourcing priorities. This recurring or one-off funding is created from a number of sources and can only be finalised once all assumptions and calculations are completed for the proposed Budget. These sources include:-

- Changes in financial planning assumptions
- Variations in grant settlement
- Full year effect of savings proposals
- Adjustments to corporate finance items
- Calculation of the Council Tax Base
- Calculation of the Retained Local Business Rates
- One-off funding provisions and variations, for example the council tax collection fund surplus (or deficit).

The Budget includes the following allocations of resourcing to meet specific commitments and priorities:

On-going Resourcing Allocations - £1.4M

The following allocations are to be made for the available on-going funding resources:

- £500K to reduce the overall saving required from Early Year and Childrens Centres.
- £100K to reduce the overall saving required from Public Protection Services.
- £800K will be allocated to the Financial Planning Reserve with the recurring funding allocated to help meet the significant funding gap for 2015/2016.

These allocations provide a prudent balance between addressing current funding priorities and recognising the scale of the future financial challenge.

One-off Headroom Allocations - £1.6M

These following allocations are to be made from the anticipate Council Tax Collection Fund Surplus:

- £375K to the Green Deal, Energy at Home scheme spread over 2014/15 and 2015/16.
- £150K to provide for the delivery of a Keynsham wide regeneration delivery plan.
- £75K to meet initial IT set up costs to maintain compliance with the Government Public Service Network requirements for data security.
- £80K to provide for reviews of Council Tax Single Person Discounts and large NNDR payers. This will provide the potential for enhanced future income.
- £63K to meet the anticipated costs, net of sponsorship, for hosting a Tour of Britain cycle race stage in the Council area in 2014.
- £120K to meet the one-off cost of delaying the reduction in the numbers of public conveniences for up to one-year to provide further time to consider opportunities for alternative provision.
- £107K per year for two years (total £214K) to support the aims of the proposed adult advice and information strategy.
- £523K to the Financial Planning Reserve.

In addition to these specific proposals, under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Resources, may authorise funding for robust and credible invest to save proposals from reserves (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings).

Robust and credible 'invest to avoid' proposals (where investment can avoid future costs), can also be considered, but in addition there needs to be specific provision within business cases to replenish the reserves over a 3 year period.

## **Council Tax**

The local government financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). This financial support (in the form of a grant) for 2014/2015 is stated as being included in baseline funding for 2014/15 and beyond. The income from the grant is equivalent to a 1% increase in council tax.

The government has also indicated that a similar level of financial support will be available in addition to support a council tax freeze in 2015/2016. This will create the opportunity for the Council to consider a freeze council tax levels again in 2015/2016.

### **The proposed Council Budget utilises the council tax freeze grant and provides for a zero increase in Council Tax for 2014/2015.**

The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,201.85 which is no change on the previous year. Comparative details of the council tax levels from English Unitary Councils for 2013/2014 are attached at Annex 5 and illustrates that the council tax for this Council remains below the average level.

## **Future Years**

The Medium Term Service and Resource Plans were constructed to cover the 3 years 2013/14 – 2015/16 in line with the specific budget priorities and the council policy framework.

The MTSRP's together with the variation items set out in this Budget proposal provide clear actions to address the estimated Budget funding shortfall faced by the Council over this period, including a balanced Budget for 2014/2015

Table 4 below summarises the resource allocation from this Budget proposal together with the anticipated position for 2015/2016.

Whilst the Budget proposal provides for financial balance in 2014/2015, further work will be undertaken to present a balanced Budget for 2015/2016.

We cannot be certain about local government funding from 2016/2017 onwards although we expect the financial challenge facing the public sector to continue until at least 2018/2019 in line with the Government's Autumn Budget Statement in December 2013.

At this stage there is insufficient information available to identify the full scale of future funding pressures for 2016/2017 and beyond albeit there are a number of factors which we can identify that will impact on local government funding at this time, including:

- Continuing reductions in the national control total for local government funding – we assume this will be at least 9% per annum for this Council or £4M in cash terms.
- A significant increase in employers national insurance contributions to fund the new national pension arrangements – equivalent to £2.5M in cash terms for this Council.

- The impact of the new funding arrangements for Adult Social Care arising from the Care and Support Bill – the full implications of this have yet to be assessed.
- The likelihood of increasing pay inflation.
- The potential impact of changes to interest rates and the revenue cost of meeting the Council's full borrowing requirement.

Given the scale of savings already achieved and those outlined in the MTSRP's and this Budget, it is likely that future savings will require prioritised changes to Council services. A rigorous process will therefore need to be applied to the development of the Council budget and medium term financial planning process going forwards to enable resources to be prioritised between service areas.

### **Revenue Budget Proposal – The Headline Numbers**

The proposed revenue budget for 2014/2015 represents:

- A net £3.5m or 2.9% decrease in the non-schools budget.
- An increase in the DSG estimated at £1.1m with total funding of £117.7m (including academies). The majority of the additional funding relates to the transfer of funding for 2 year olds and the funding for post 16 special needs provision, that have transferred from the Early Intervention Grant and the Education Funding Agency respectively. Additional resources are also provided to accommodate increased pupil numbers in our schools. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.
- A freeze in the Council's level of Council Tax, which excludes Police, Fire and Parish precepts.

We are recommending a net revenue budget for 2014/2015 of £119.926m. Table 3 below, and Annex 1 to this Appendix, show the build-up of the recommended 2014/2015 revenue budget, compared to the rolled forward base budget from the current year.

Table 3: High Level Build-up of the 2014/2015 Budget (detail in Annex 1)

Description	£'000
<b>Total Base Budget rolled forward – 2014/2015 (after removal of one-off items in 2013/2014 Budget)</b>	<b>123,450</b>
One-off Allocations	845
Contractual and Unavoidable Inflation	3,457
New Legislation / Government Initiatives	443
Increased Service Volumes	1,372
Other / Technical (Including Capital Financing)	1,238
<b>Total including Growth</b>	<b>130,805</b>
Change Programme & Efficiency Savings	6,263
Increases in Income from fees, charges and other grants	2,070
Service Reduction	2,546
<b>Total Savings</b>	<b>10,879</b>
<b>Recommended Net Revenue Budget 2014/2015</b>	<b>119,926</b>

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2014/2015. These are shown in **Annex 1** to this Appendix. Table 4 shows the resource allocation for 2014/2015 and 2015/2016 by service area.

Table 4: Resource Allocation 2014/2015 to 2015/2016

SERVICE AREA	2014/2015			2015/2016
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)
<b>Adult Social Care &amp; Housing</b>	1,920	1,582	<b>58,281</b>	<b>58,976</b>
<b>Children's Services</b>	396	663	<b>23,317</b>	<b>21,654</b>
<b>Place</b>	1,344	2,171	<b>24,865</b>	<b>24,295</b>
<b>Resources &amp; Support Services</b>	857	3,302	<b>7,450</b>	<b>5,922</b>
<b>Corporate &amp; Agency</b>	2,838	3,161	<b>6,013</b>	<b>7,873</b>
<b>Totals</b>	<b>7,355</b>	<b>10,879</b>	<b>119,926</b>	<b>118,720</b>
<b>(Savings to be identified)</b>				<b>(4,175)</b>
<b>Less use of retained on-going headroom from 2014/2015</b>				<b>800</b>
<b>(Savings remaining to be identified)</b>				<b>(3,375)</b>
<b>Medium Term Financial Planning Total</b>				<b>115,345</b>

The Cash limits for 2015/2016 are at this stage indicative and will be reviewed as part of the Medium Term Service & Resource Planning process for 2015/2016 onwards.

## Section 2 – West of England City Region Deal

### Background

The WoE City Region Deal has been agreed between Government, the WoE Councils and the WoE Local Enterprise Partnership (the LEP).

One of the key elements of the deal is a Growth Incentive whereby the WoE Councils will retain 100% of the business rates growth in the five WoE Enterprise Areas. The business rates will be pooled with those from the existing Temple Quarter Enterprise Zone and, after providing funding to ensure the Councils are “no worse off”, the pool will make a significant financial contribution of up to £500m into a WoE Economic Development Fund. This will support an overall package of up to £1bn of investment in the local economy.

### The Revenue Budget 2014/2015

The business rate pooling arrangements within the City Region Deal will need to be considered in terms of impact on this Council’s revenue budget in the future.

The City Region Deal provides a licensed exemption from the effects of the resets and levies of the local government finance system in the five Enterprise Areas over 25 years, enabling the WoE to retain 100% of growth in business rates against an agreed baseline in the Enterprise Areas and Temple Quarter Enterprise Zone.

The pool will make a significant financial contribution (up to £500m over 25 years) into the Economic Development Fund which will support an overall package of £1bn of investment in the local economy. Income will also be used to ensure no Council will be worse off compared to the local government finance system, and to manage local demographic and service pressures arising from growth.

The “no worse off” payment will be the first call on the pool and will ensure each Council is paid what it would have received under the local government finance system. In this respect no Council should have any direct financial impact as a result of signing up to the City Region Deal.

A payment to each Council to mitigate local demographic and service pressures arising from the additional growth may also be made in the future. However, it is important this payment only grows in proportion to the level of growth being generated and a ratio of 5:1 has been assumed (for every £5 paid into the Economic Development Fund there will be a £1 payment made for local demographic and service pressures). To support cash flow in the early years and prioritise investment in unlocking the growth sites earlier, these payments will not be paid to Councils in the first 5 years of the City Region Deal. The amount payable to the EDF is capped at £500M and any funding over this level is fully allocated to local demographic. Should this situation arise it will be close to the end of the 25 year period of the City Region Deal.



The Council's future revenue budgets will be updated for the inclusion of the funding streams outlined above, together with, the impact of any revenue support costs for critical infrastructure or other high priority schemes approved by the West of England Local Enterprise Partnership.

The Avon Fire Service does not form part of the City Region Deal although it does currently receive 1% of the total business rate growth. In order to ensure the Fire Service is "no worse off" as a result of the City Deal, it is recommended that each Council passes on this element of their "no worse off payment" to the Avon Fire Service as an annual grant amount. This will remain revenue neutral for each Council.

### **Economic Development Fund and the Capital Programme**

Work has been undertaken by the WoE Office and the Councils to identify a list of critical infrastructure and other high priority schemes which are required to unlock the Enterprise Areas or advance development and hence the economic benefits to the sub-region.

The LEP will be considering approval of an initial indicative programme of schemes from this list. This initial programme will still be subject to economic benefit justification via the submission of a detailed business case before final approval is given. Agreed funding (for capital and borrowing costs) can then be drawn from the Economic Development Fund as the project is completed.

Each Council will need to consider the inclusion within their capital programme of critical infrastructure or other high priority schemes as they develop business cases for consideration by the LEP.

It is important to recognise that whilst a Council can borrow to fund the full cost of an approved scheme, the level of revenue support they receive back to support this borrowing will always be limited by the available funds of the Economic Development Fund.

Therefore, it should be noted that there is still a risk to the timing and total level of funding that maybe available to the LEP through the City Region Deal. Ultimately, the LEP will only be able to commit the actual funding it has within the Economic Development Fund at any point in time. The future funding risk will need to be accepted and carried by the respective Council.

Section 3 of this Report, sets out this Council's capital programme including appropriate reference to emerging schemes for consideration against the Economic Development Fund.

## Section 3 – The Capital Budget for 2014/2015

### Introduction

The Cabinet's proposals for the Council's capital programme are limited to a number of specific new additions to the existing approved programme full details of which are set out in this Section.

This Capital programme proposals:

- Limits new commitments to items which are in line with Council priorities and objectives and which are funded either from external sources, from anticipated future capital receipts, or where the potential costs of borrowing can be met from within the proposed Budget.
- Recognises that careful consideration has been made by Officers and Members regarding future commitments and the direction of this programme.

The MTSRP's recognise the intention to minimise new borrowing in the current market climate and fund the capital programme from a mixture of future capital receipts and internal cash flow wherever possible. However the decision on the timing of new borrowing will be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

The projected capital receipts for the period 2013/2014 to 2017/2018 were shaped by the Property Review and proposals for development of Council owned sites. These projected receipts are kept under regular review to ensure the latest position is reflected in budget planning and all existing and future projected capital receipts will be utilised to support the general financing of the Council's Approved Capital Programme.

The presentation of the Capital Programme retains the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require further Officer and Member scrutiny, including a formal Cabinet decision for Full Approval. The budget numbers for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

### **Recommended Programme for 2014/2015**

On this basis the Cabinet is recommending the Capital Programme as attached in **Annex 3** and summarised in the table below.

The proposed programme assumes total capital payments and funding in 2014/2015, comprising both the programme for Full Approval of £65.865m and a programme for Provisional Approval (subject to) of £35.817m, as shown in

## APPENDIX 1

Table 5 below. This table also shows the indicative capital programme and funding at summary level for 2014/2015 to 2018/2019. **Annex 3** shows the total capital programme for 2014/2015 to 2018/2019 in more detail.

**Table 5: Summary Capital Programme and Financing 2014/15 - 2018/19**

**For Approval**

Capital Scheme	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Budget 2017/18 £'000	Budget 2018/19 £'000	Total £'000
Place	33,692	3,251	580	40	50	37,613
People & Communities	7,355	435	0	0	0	7,790
Resources & Support Services	24,818	114	25	90	135	25,182
<b>Total</b>	<b>65,865</b>	<b>3,800</b>	<b>605</b>	<b>130</b>	<b>185</b>	<b>70,585</b>

**For Provisional Approval (Subject to)**

Capital Scheme	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Budget 2017/18 £'000	Budget 2018/19 £'000	Total £'000
Place	14,044	9,855	11,503	1,421	46	36,869
People & Communities	6,075	9,240	8,149	1,065	0	24,529
Resources & Support Services	15,698	11,654	2,307	1,757	0	31,416
<b>Total</b>	<b>35,817</b>	<b>30,750</b>	<b>21,959</b>	<b>4,243</b>	<b>46</b>	<b>92,814</b>

<b>Grand Total</b>	<b>101,682</b>	<b>34,550</b>	<b>22,564</b>	<b>4,373</b>	<b>231</b>	<b>163,399</b>
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**Funded By**

Financing	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Budget 2017/18 £'000	Budget 2018/19 £'000	Total £'000
Grant	32,434	13,584	12,594	487	0	59,099
Capital Receipts/RTB	14,454	10,117	6,106	11,000	0	41,677
Revenue	2,599	1,394	563	478	0	5,034
Borrowing	49,401	8,134	2,886	-7,692	231	52,960
3 <sup>rd</sup> Party (inc S106)	2,794	1,320	415	100	0	4,629
<b>Total</b>	<b>101,682</b>	<b>34,550</b>	<b>22,564</b>	<b>4,373</b>	<b>231</b>	<b>163,399</b>

Note: Some of the figures in the above table are affected by rounding.

**Funding**

The revenue budget for 2014/2015 and the Medium Term Service and Resource Plans for 2015/2016 provide for the revenue consequences of the Council borrowing in support of capital expenditure where appropriate.

A desire to minimise the planned levels of external borrowing continues to be recognised within the funding arrangements for the Capital Programme. It is anticipated that all current and future capital receipts will be utilised, together with the Council's internal cash balances to fund the Capital Programme. However the decision on the timing of new borrowing will be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

The Capital Programme assumes the following achievement of capital receipts:

- 2014/15 = £14.3M
- 2015/16 = £10.0M
- 2016/17 = £ 6.1M
- 2017/18 = £11.0M

This prudent assumption recognises the difficulty in accurately projecting the actual level of capital receipts over longer-term periods.

The £3m set aside in an earmarked revenue reserve for affordable housing and capital development in 2010/2011 is maintained to support the provision of affordable homes in the Bath Western Riverside development. This will be reviewed during 2014/2015 in light of actual levels of Right to Buy capital receipts which will remain the preferred funding mechanism for this affordable housing commitment.

### **New Schemes within the Capital Programme**

#### **Highways Structural Maintenance**

The Highways Structural Maintenance budget is included for **Provisional Approval** at £3.788m funded wholly from direct government grants including additional Highway Maintenance Funding of £353K to recognise deterioration due to adverse weather.

This will be used to address a programme of priority works across all highway asset groups namely carriageways, footways, structures (bridges, retaining walls, embankments & culverts), drainage and electrical infrastructure as identified through on-going inspection, monitoring and evaluation. Further detail on proposed schemes will be considered by Cabinet in April 2014 for decision.

#### **Highways Surfacing – Additional Funding**

Additional essential Maintenance and upgrading of highway and footway surfaces will be addressed with a **Provisional Approval** of £2.0m.

The proposed programme of work will help address the backlog of maintenance and improve the condition of the highway network, reducing the whole life costs of maintaining roads through earlier intervention. Further details will be considered by Cabinet in April 2014 for decision.

### **Highways Structures – Additional Funding**

This investment will address backlog maintenance issues and help to ensure traffic can move efficiently on the highway network. This project will ensure compliance with the Council's statutory duties under the Traffic Management Act and Highways Maintenance Act. **Provisional Approval** of £2.0m and further details will be considered by Cabinet in April 2014 for decision.

### **Footway Improvement in the Highways – Additional Funding**

It is proposed to enhance the quality of substandard footways in the district. This project supports the key objective of encouraging walking as sustainable travel and by resurfacing footways at the optimum time the council is saving the costs of more expensive and disruptive repair works. **Provisional Approval** of £400K and further details to be considered by Cabinet in April for decision.

### **Flood Protection in Chew Magna**

A pilot scheme to implement Property Level Protection against flooding (PLP) to a number of properties in Chew Magna was funded from a government grant. As a condition of the grant, the success of the scheme has been reviewed and highlights the need for further work to increase the protection offered. These additional works are essential to safeguard residents from the considerable distress and damage resulting from flooding. **Provisional Approval** of £200K subject to further design being presented.

### **Weston Flood Protection Scheme for Provisional Approval of £2M**

The Weston, Bath Flood protection scheme is an approved Environment Agency Scheme funded by a Flood and Coastal Risk Management Grant for delivery by the Council in 2014/2015. The scheme is subject to the consideration of a detailed project cost and delivery plan.

### **Cycling and Walking Schemes**

Continuation of the cycling infrastructure programme started in 2013/14 aimed at encouraging and promoting cycling as part of the healthy living and sustainable transport initiatives. **Provisional Approval** of £250K subject to further design and project plan being presented by May 2014.

**Grit Bins and Snow Warden Equipment for Provisional Approval of £50K**

It is proposed to further develop and enhance the voluntary Snow Warden scheme which has been implemented in some parts of the authority's area. This funding is intended to support the provision of equipment and infrastructure to support people within the community helping to keep our network of pavements and roads free of ice and snow during severe weather.

**Royal Victoria Park Skate Park and Open Space Improvements**

Replacement of the existing skateboard area with new skate park together with improvements to litter bins, recycling facilities, seating and the installation of a BBQ area. A **Provisional Approval** for a total of £300K subject to further design and project plan being presented

**East of Bath Skate Park for Provisional Approval of £100K**

Contribution to an additional local skate park facility in an open space to the east of Bath.

**Improvements at the Sandpits for Provisional Approval of £40K**

Project to improve drainage, play equipment and facilities, subject to further design and a project plan being presented.

**Queen Square improvements for Provisional Approval of £100K**

Project to enhance the Square along the lines previously consulted upon and to modify the highway in order to enable future closure of part of the Square to support events.

**Litter Bins for Provisional Approval of £20K**

Funding to support the provision of additional new bins and the replacement of existing, life-expired bins and benches within the public realm.

**Play Equipment for Provisional Approval of £100K**

Funding to support the additional provision of new play equipment and the replacement of existing, life-expired play equipment in consultation with local members and Cabinet.

**Great Dell Walkway for Provisional Approval of £25K**

To re-provide the Great Dell Walkway which has been closed for three years due to deterioration and safety concerns.

**Public WC Conversions**

To develop concessionary opportunities alongside public toilets to increase use of Council assets, minimise liability and retain local toilet provision. A **Provisional Approval of £100K** subject to further design being presented.

**Leisure Centre Capital Maintenance.**

Condition reports have identified the need to undertake property maintenance and repairs at the Council's Leisure Centres. High priority works will be undertaken in order to maintain properties in adequate order for customers and to avoid excessive liabilities within the new contract. Any spend would be met from payments made by the current contractor as a result of a secured contract renegotiation. This is for **Provisional** approval subject to a detailed costed project and delivery plan.

**Local Transport Improvement Schemes for Full Approval of £1.429m**

The Local Transport Improvement Schemes budget is included at £1.429m funded from remaining government grant and section 106 contributions. The 2014/2015 schemes proposals will focus on supporting the Joint Local Transport Plan approved with our WoE partner authorities and the 5 key transport goals of Reducing Carbon Emissions, supporting Economic Growth, Promoting Accessibility, contributing to better safety, security and health and finally improve quality of life & a healthy natural environment. A detailed list of proposed priorities for this funding is attached at Annex 3(iii)

**East of Bath Park and Ride for Provisional Approval of £5.2M**

This item is in accordance with the Council resolution on the Bath Transport Package which agreed officers work on alternatives to Bathampton Meadows park and ride, involving rail, as part of our future Transport Strategy.

The Bath Transport Strategy will be recommending the development of a new park and ride site and it is prudent that the authority make a financial provision for this proposal to allow it to be brought forward at an early opportunity. This outline cost estimate is based on the provision of a bus based solution.

**Digital BANES for Provisional Approval of £350K**

Primarily works to enable existing street furniture to be utilised as for the delivery of a wireless network for city and town centres and the expansion the Council's duct network to enable the deployment of fibre to deliver ultra-fast broadband to key Enterprise Area sites. Delivery would be through revenue earning contracts with wholesale providers which could underpin further capital investment by the Council in future years.

The allocation would also allow the Council to bid, as part of the Connecting Devon & Somerset programme for a share of the additional Government infrastructure fund of £250m to provide Superfast Broadband to 100% of premises by 2020.

This will support Business Retention, Growth and Innovation for B&NES as well as digital inclusion in recognition that digital connectivity is increasingly important for local companies and communities.

**Midsomer Norton Business Centre for Provisional Approval of £1.325m**

The Council has a 999 year lease (from September 1993) of the Midsomer Norton Business Centre which is sub-let to Business West to manage as a small business / conference centre. It is located on the Midsomer Enterprise Park. The Centre covers approximately 7,800sqft with circa 5,000sqft of managed office space. The limited overall size of the Centre meant that annual running costs exceeded direct income. The extension and refurbishment of the Business Centre to provide 10,000sqft of managed workspace will provide a self-funding facility, safeguarding and creating up to 250 jobs.

**River Corridor Fund - for Provisional Approval of £340K**

The River Corridor Fund will bring forward the implementation of selected river improvement capital projects during the 14/15 financial year. The projects will enhance the use of the river as a key cultural, economic and social asset for Bath and beyond. The priorities will be established through a River Corridor Working Group led by B&NES and including the Environment Agency, Canals and Rivers Trust and The River Regeneration Trust. Initial priorities are likely to be Pulteney Weir and replacement of the Radial Gate, the development of a River Strategy, projects to mitigate flooding, providing a river walkway in Bath City Centre, improving river safety and providing capital support for activities on the river.

**Schools Capital Investment**

The Council retains responsibility for capital funding of schools excluding academies and for the expansion of school places at all schools, including academies.



Schools capital grant funding for 2015/16 and 2016/17 has been confirmed by the Education Funding Agency (EFA) as £13,069,578 for Basic Need to support provision of additional pupil places where there is population growth. An allocation for Capital Maintenance has yet to be announced. Capital in support of Universal Infant Free School Meals of £353,269 has been confirmed.

The significant increase in grant funding for Basic Need reflects the projected rise in pupil numbers due to rising birth rate and increase in resident population in Bath and North East Somerset. Basic Need priorities will include provision of additional pupil places in Bath, Keynsham/Saltford, Midsomer Norton and Radstock. Initial discussions have been held with schools in these areas but proposals will need further evaluation and options costed before projects can be brought forward for approval for inclusion in the capital programme.

It may also be appropriate to combine Basic Need grant with developer funding where new schools or expansions of existing schools are required due to new housing developments and underlying population growth.

Priority for Capital Maintenance funding will be to address the most pressing condition items in schools e.g. windows, roofs, boilers etc. through the Schools Planned Maintenance Programme (SCPM). A detailed list of proposed priorities for this funding is attached at Annex 3(i). Due to prudent management of previous years' Capital Maintenance allocations the 2014/15 programme is fully funded and is included for full approval.

An initial assessment of the implications of the introduction of Universal Infant Free School Meals suggests that the grant funding may be sufficient to provide the additional facilities and equipment required but it may be necessary to provide additional funding from Capital Maintenance where remodelling of kitchens is required. This is currently being evaluated.

### **Disabled Facilities Grant for Full Approval of £1.0m in 2014/2015**

This is the annual mandatory grant service administered for eligible applicants that satisfy the criteria of firstly, a necessary and appropriate home adaptation to enable them access to and use of the their home, secondly, the required adaption being reasonable and practical, and thirdly, meet the requirements of a test of resources. The assessment of need is carried out by the Council's OT service. The scheme allows an eligible applicant to continue to live independently in their own home by providing a stair lift, suitable washing facilities or other relevant home adaptations.

### **Community Partnership Grants for Provisional Approval of £1M**

To provide a potential capital grant to support the improvement of youth and community facilities in the London Road area of Bath, subject to the consideration of a detailed business case.

**Green Investment and Jobs Fund for Provisional Approval of £1M**

Investment of a policy loan in local renewable energy projects to further a range of Council policy objectives, whilst generating a source of income for the Council and contributing to the creation of 'green' jobs.

**Cleveland Pools for Provisional Approval - £200K**

Cleveland Pools Trust, in partnership with the Prince's Regeneration Trust, English Heritage and the Council will be submitting a bid in April 2014 to the Heritage Lottery Fund to restore the country's only surviving Georgian lido and reclaim them for outdoor swimming. A provisional item is included for £200K to provide grant funding towards the match funding requirement for this scheme in the event this bid is successful and subject to conditions to be agreed.

**Property Specific Developments**

The following schemes are listed for **Full Approval**:

1 to 3 James Street West - £175K

Heads of terms have been agreed with the preferred developer for the redevelopment of James Street West, for residential on the upper floors and ground floor retail, with discussions on-going with regard to the relocation of the current temporary tenants to accommodation identified in Walcot Street.

Transfer of the accommodation in Walcot Street being considered within a community asset transfer proposal

7 to 9 Lower Borough Walls – £75K

Premises being offered to the market for disposal by way of a building agreement and long lease, to provide upper floor residential together with ground floor restaurant use which will revert to the Council to produce a revenue income.

Existing temporary tenants have been offered the Council accommodation at 4 Bath Street on terms still to be agreed.

Cattlemarket/Cornmarket - £50K

On the market for disposal and redevelopment with bids due on 27<sup>th</sup> January, 2014. All bids will be assessed by an officer/member panel to determine the successful bidder(s).

Roseberry Place £50K

The disposal has been deferred on the request of Economic Development and Regeneration pending the production of the Enterprise Area Masterplan.

Commercial Estate Development Fund - £200K

The purpose of this fund is to ensure that key properties reach their maximum income potential and/or do not remain un-let for a significant length of time.

Englishcombe Lane – £30K

Disposal of the site for development

The following schemes are for **Provisional Approval** pending further details and project plans for Cabinet Decision.

Grand Parade and Undercroft – Phase 2 £1M

Discussions taking place with consultants over this scheme, particularly with regard to the type of roof structure which will be permitted, together with a layout concept of the space to be utilised.

Follows on from Phase 1 which is redeveloping the Undercroft. This scheme will see the extension of the Guildhall Markets.

Grand Parade and Undercroft – Phase 3 £3.7M

Consideration of the redevelopment of the upper floors to Newmarket Row. Retail and residential development. To tie in with expiry of existing leases starting 2015

Bath Quays North - £1.0M

Potential costs associated with the preparation of the site for disposal of the site for development as part of the Enterprise Area redevelopment plans. It is anticipated that this will deliver a significant capital receipt for the Council.

**Acquisitions–Future Revenue Generation for Provisional Approval of £15M**

The Council has a challenging income generation target over the next 3 years. To enable this to be achieved income producing assets will need to be acquired.

**New Customer Payment and Library Kiosks for Provisional Approval of £145K**

We require new Customer Payments Kiosks to replace ones which due to their age have limited functionality, do not accept all payment types, and require regular manual intervention from Front Office staff. New Kiosks will fully integrate with the Councils Income Management System which would allow full automation for all types of payments transactions. In addition, new Library Kiosks will replace currently leased Library Kiosks and include core customer payments along with other enhanced functionality. It is estimated that enhanced income streams will provide for additional borrowing costs.

## **Financial System Upgrades for Provisional Approval of £203K**

It is imperative that the Council's Financial System is on the latest software release in order to effectively manage the risks arising from rationalisation of business systems enabling reductions in back office staff. The upgrade to the Agresso Financial System will include enhanced functionality to reporting, budget monitoring and forecasting which is critical with the financial constraints facing the Council. The Income System also needs development to interface with the Corporate CRM (Customer Relationship Management System) allowing customers, to see payment history, account balances, instalments amounts, as well as a 'recurring card payments' module to allowing regular payments via credit card and debit cards. This is a provisional item subject to a further Business Case and we are seeking to provide necessary savings to meet financial targets and borrowing costs.

## **IT Asset Refresh for Full Approval of £283K**

The Council has always had and continues to need an annual refresh budget to cover the replacement of key infrastructure assets at their end of life (e.g. servers, network switches).

Without this refresh programme, PSN compliance lapses (e.g. the ability to process benefits, revenues, safeguarding and other data), IT security will be breached and IT devices and systems used by services will become unsupported, obsolete and will fail. The programme is managed as a 5 year commitment.

This request is to fund Year 2 of the present 5 year refresh programme. Technology is constantly changing and so forecasts are reviewed again annually before being made firm. Capital costs can be met from service supported borrowing funded through savings created in IT budgets.

We seek to extend the use of IT so that services can redesign what they do to deliver previously unidentified savings. This will also improve service levels, increase efficiency in operation and lower error rates.

## **Emerging Capital Schemes**

The following schemes are not yet fully developed and outline business cases have not been produced at this stage so it is not possible to identify an appropriate provision for them within the proposed Capital Programme.

These schemes may require significant capital expenditure some or all of which may be met through external sources or the related service provider. As the specific business cases are more developed and the capital requirements are more fully understood these schemes will come forward for Council consideration and decision at that point.

The business cases will need to identify suitable capital and, if necessary, revenue funding provision at this time.

### Bath Primary School Provision

There is considerable forecast demand for additional primary school places in the city of Bath over the next 5 years and beyond. This results from increases within the existing population (rising birth rate) as well as new housing developments attracting additional families to the area, including at Bath Western Riverside and the former MOD sites.

Section 106 and Community Infrastructure Levy will be used to secure developer contributions in land and capital in respect of the impact of significant new developments. Capital Allocations from the Department for Education for Basic Need will help to address the places required to cater for inherent population growth and this will be combined with developer funding where appropriate to provide the overall places required. However, there may also be a requirement for Local Authority capital funding and/or land to be identified to contribute to a programme that in total is likely to require the building of at least 5 new schools by 2025 as well as further localised expansions of existing schools.

The latest 2 year allocation of Basic Need grant has recently been notified and more detailed proposals for the broader schools capital programme are being developed and will be brought forward for consideration in due course.

### Leisure Facilities

Proposals for the future provision of the Council's Leisure Centres will be sought from leisure operators through a contract procurement process commencing in February 2014. This will include development options including, where appropriate, design, build, finance and operate.

The business case is anticipated to be brought forward for consideration and approval in the summer 2014 once proposals have been received from potential operators.

### City Deal – Economic Development Fund Schemes

The Council has identified priority projects in the West of England Economic Development Fund (EDF). The principle focus for these projects is the delivery of Innovation Quay which lies at the heart of the Bath City Riverside Enterprise Area. Innovation Quay has the potential to provide expanded Incubation and Innovation space, delivered in partnership with Bath University, significant modern commercial floor space as part of a new Central Business District for the city together with new city centre housing and an enhanced and better connected riverside environment.

Detailed master planning work is underway on the Enterprise Area and Innovation Quay which, together with the developing Transport Strategy for Bath, will provide the context for more detailed business planning to be undertaken later in 2014 as the next step towards securing funding under the EDF.

### Keynsham CPO

The Council has agreed to the implementation of a Compulsory Purchase Order to enable the acquisition of all property interests in the Riverside building at Keynsham for the purposes of carrying out a comprehensive residential led redevelopment.

Officers are in negotiations with the current long leaseholder of the building, and failing a negotiated settlement, the CPO process will commence during February, 2014

Provision has already been made for the likely costs of this process but, as with any CPO, it is difficult to estimate the costs with complete accuracy but in any case the Council does carry a capital contingency provision.

### Economic Development Schemes

#### Digital B&NES

Further investment will be needed in 2015 – 2018 to expand the wireless network and ultrafast broadband connectivity in B&NES, provide match funding for the roll out of Superfast Broadband to 100% of premises in B&NES by 2020 under the Connecting Devon & Somerset programme and enabling the Bath City Riverside Enterprise Area to be connected into the proposed West of England R&D Mesh, a closed ultra-fast broadband loop for the WofE which can be utilised by 'high-tech' and digitally based companies to innovate and commercialise new ideas with less risk.

#### Creative Workspace

There is a lack of flexible creative workspace in Bath which is a limiting factor for growing creative and digital companies and can lead to them relocating away from the city. The development of creative workspace would allow the retention of native, high value businesses within Bath and facilitate the development of a creative cluster in the city which would, in turn, generate new business investment. The creative workspace could be developed by the Council and an income stream generated through an operating contract with a specialist provider.

#### MSN High Street

The Council has recently secured a development partner for the redevelopment of South Road Car Park to provide a major food store in the town centre. A range of traffic management and public realm improvements will be required to fully link the scheme into the High Street and ensure that existing local traders are able to fully benefit from the scheme. Council resources could provide match funding for Section 106 / CIL developer contributions to ensure that a comprehensive package of supporting measures can be put in place.

Roman Baths – The Archway Centre

The Archway Centre will consist of a World Heritage Interpretation Centre for Bath and a state-of-the-art Learning Centre for the Roman Baths. It will deliver the learning facilities and environment expected of a nationally-important heritage attraction within a World Heritage Site and will provide opportunities for working with local partners in the voluntary, charitable and education sectors.

It will not provide a commercial return in the short term but will sustain visitor numbers and the income streams associated with them in the medium and longer term by generating repeat business from children and their families. It will strengthen community ties through partnership working with local groups.

The project will refurbish the Grade II Listed former City Laundry buildings adjacent to the Roman Baths in York Street and Swallow Street and convert them into:

- a) a World Heritage Interpretation Centre; and
- b) a Roman Baths Learning Centre.

The Interpretation Centre will meet the requirement made by UNESCO that the Council should do more to interpret the 'City of Bath' World Heritage Site. The Learning Centre's unique selling proposition is the underground tunnel that will deliver school groups into the heart of the Roman Baths. Out of core school hours it will be available for use by community groups and partner organisations to hire for other purposes as well as purposes associated with the World Heritage Site.

The project will achieve a number of other objectives including:

- c) extending public access into new areas of the Roman Baths;
- d) conserving in-situ Roman remains and monumental Roman masonry;
- e) creating a new 'activity zone' beneath York Street;
- f) interpreting the Victorian spa landmarks and buildings via a smartphone App;
- g) triggering improvements in the streetscape and public realm

It is estimated that the capital project will cost £4.5 to £5 Million. The Heritage Lottery Fund will expect the Council to demonstrate its support for the project by providing a significant direct contribution to the capital costs of the project. A Council contribution of c.15% of the capital cost of the project (£650-750k) should be sufficient to satisfy the HLF.

**Minimum Revenue Provision (MRP) Policy**

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year. The policy defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing. The Council is recommended to approve the statement in Annex 4 which includes an update from last year to cover treatment of any potential loans made to third parties that are required to be treated as capital expenditure.

**Prudential Indicators**

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. The Capital Prudential Indicators are shown in Table 6 below.



Table 6: Capital Prudential Indicators.

PRUDENTIAL INDICATOR	2012/13 Actual	2013/14 Probable Outturn	2014/15	2015/16	2016/17
<b>Estimate of Capital Expenditure (£'000s)</b>					
Actual/estimates of capital expenditure	44,371	64,219	101,682	34,550	22,564
<b>Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)</b>					
The implied estimate of incremental impact of the new capital investment decisions on the council tax			£2.22	£11.34	£7.80
Cumulative totals:			£2.22	£13.56	£21.36
<b>Capital Financing as % of Net Revenue Stream</b>					
Actual/estimates of the ratio of financing costs to net revenue stream			9.24%	12.29%	13.93%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			3.57%	4.59%	5.10%
<b>Borrowing Limits (£m)</b>					
Operational boundary – borrowing			£177m	£181m	£176m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
<b>Operational boundary - total</b>			<b>£179m</b>	<b>£183m</b>	<b>£178m</b>
Authorised limit - borrowing			£215m	£215m	£210m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
<b>Authorised limit - total</b>			<b>£217m</b>	<b>£217m</b>	<b>£212m</b>
<b>Capital Financing Requirement (£'000s) (as at 31 March)</b>					
Actual/estimate of capital financing requirement	141,783	171,486	214,856	215,224	210,330

#### Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed use of the Council's longer term cash flow balances to "internally" meet the financing requirements for the Keynsham Town Centre Regeneration project, subject to overall treasury management decisions.

## Section 4 – Revenue & Capital Reserves and Contingencies

### Significant Earmarked Reserves

In developing the proposed Budget for 2014/2015 all the Council's earmarked reserves have been routinely reviewed and the related potential liabilities assessed to establish the future requirements for each of the reserves.

Based on the most recent review, the majority of the Council's reserves remain committed to the specific purposes for which they were established. There are a small number of reserves where it is proposed for them to be reallocated or re-designated. The proposals for significant earmarked reserves will therefore be as follows:-

The Revenue Budget Contingency – the reserve has been utilised during 2013/14 to meet a range of in-year pressures and priorities. This reserve will increase following the reallocation of a number of smaller contingency reserves and will continue to be made available to meet in-year revenue budget pressures. It is anticipated that this reserve will stand at £1.387M for 2014/15. The balance of the Revenue Budget Contingency will be available for allocation to meet new and emerging priorities of the Council during the financial year.

Financial Planning Reserve – this reserve supports the future medium term financial planning of the Council. The reserve will generally be allocated as part of the Budget process each year to support the specific medium term financial proposals and priorities of the Council.

The Transformation Investment Reserve – (previously known as the Medium Term Financial Challenge Reserve) will support the development and progression of a significant transformation programme to redesign and reshape a range of services to recognise the future shape of the Council. A number of the specific changes are also progressing to respond to the initiatives imposed by the Government including a service review, shared service opportunities and changes in health and social care.

Subject to the overall limits of the reserve, it may also be utilised to provide one-off resources in support of the delivery of the specific savings plans set out in the MTSRP's subject to an overall business case and project plan.

This reserve will meet the costs associated with these changes and is likely to be fully committed over the next three to four years.

The Restructuring and Severance Reserve – the significant financial challenge facing the Council has and will continue to lead to job losses as savings and efficiencies are delivered. The MTSRP indicated that around 300 posts would be lost over the period to 30 March 2015 including through redundancy. This is likely to continue for several years beyond this period and the associated severance costs may be significant. This reserve will be available to meet these costs, avoiding the need for subsequent additional service savings purely to pay such severance costs. This approach will be regularly reviewed to ensure it is being applied appropriately.

The Affordable Housing Reserve – this reserve is currently committed to fund the Council's contribution to affordable housing including within the Bath Western Riverside development although this position will be reviewed as part of the 2015/2016 budget process.

All service based Earmarked Reserves are anticipated to be fully committed.

**Table 7** below, sets out the projected level of the significant earmarked reserves taking account of anticipated commitments over the next 3 years to 2016/2017.

Table 7: Projected Significant Earmarked Reserves

	Revenue Budget Contingency	Transformation Investment Reserve	Restructuring & Severance Reserve	Affordable Housing Reserve	Financial Planning Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Estimated Available Reserves</b>	<b>711</b>	<b>3,604</b>	<b>3,676</b>	<b>3,000</b>	<b>2,754</b>
<b>Transfers between Reserves</b>	<b>676</b>				
<b>Estimated Reserves @ 1st April 2014</b>	<b>1,387</b>	<b>3,604</b>	<b>3,676</b>	<b>3,000</b>	<b>2,754</b>
Allocation in 2014/2015	0	-1,000	-1,372	-1,778	<b>+1,525</b>
<b>Balance C/F</b>	<b>1,387</b>	<b>2,604</b>	<b>2,304</b>	<b>1,222</b>	<b>4,279</b>
Allocation in 2015/2016	0	-1,000	-2,130	-819	<b>TBC</b>
<b>Balance C/F</b>	<b>1,387</b>	<b>1,604</b>	<b>174</b>	<b>403</b>	<b>TBC</b>
Allocation in 2016/2017	0	-1,000	-174	-85	<b>TBC</b>
<b>Balance C/F</b>	<b>1,387</b>	<b>604</b>	<b>Nil</b>	<b>318</b>	<b>Nil (est)</b>

### Unearmarked Revenue Reserves

The Local Government Act 2003 contains a duty on the statutory finance officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director – Business Support are an integral part of our budget recommendations. This sets an unearmarked reserves target of £10.5 million based on a financial risk assessment and in the context of the "one-off" funding proposals contained within this Budget proposal.

Table 8 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. This analysis includes the proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Workplaces Project – requires total cumulative revenue investment of £3.2m over the period to 31 March 2016 with repayment of the reserves commencing in 2016/17 from the on-going revenue savings of around 10%.

This actual level of unearmarked reserves will also depend on the Outturn position for 2013/2014 and on future decisions by the Cabinet about any overspends. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

### Adequacy of reserves

The s151 officer's report on the robustness of estimates and adequacy of reserves is set out at Annex 2. This provides a reserves strategy to maintain non-earmarked General Fund reserves at £10.5m based on a thorough risk assessment. The projected reserve levels are set out in Table 8 below.

**Table 8: Projected Non-Earmarked Revenue Reserves**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Estimated Reserves @ 1st April each year</b>	<b>9,278</b>	<b>7,762</b>	<b>7,264</b>
2013/2014 Projected Outturn Underspending			
Projected Invest to Save Movements	-1,516	-498	84
<b>Estimated Reserves @ 31st March each year</b>	<b>7,762</b>	<b>7,264</b>	<b>7,348</b>

Based on anticipated invest to save commitments mainly associated with the Workplaces project, the Non-Earmarked Reserves will begin to be repaid in 2016/17 and at no point will reduce below the risk assessed minimum level of £6M.

Under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Community Resources, can authorise funding from within the non-earmarked reserve for robust and credible invest to save proposals (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings). This is subject to the overall level of non-earmarked reserves being maintained above the risk assessed minimum level of £6M.

### **Capital Risk Contingency**

There are three levels of risk provision in relation to the capital programme.

Firstly individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;

Secondly, the capital programme includes a funded corporate risk contingency currently forecast to be £2.430m. The level of this contingency will be reviewed regularly.

Thirdly the corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

### **Governance**

The Council is requested to confirm the specific arrangements for the governance and release of Council reserves, including invest to save proposals, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Community Resources and the Chief Executive.

## Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2014/2015.

The financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). The proposed Budget provides for a zero increase in Council Tax for 2014/2015. **Table 9** explains the calculation of this figure:

**Table 9: Council Tax 2014/15 for Bath & North East Somerset Council Services**

Description	Amount	Comments
Recommended Net Revenue Budget	£119,926k	See Annex 1
Less grant, retained business rates, reserves and estimate of Collection Fund surplus	£47,294k	See Annex 1 Sources of Funding
<b>To be funded by Council Tax</b>	<b>£72,632k</b>	
Tax base (Band D properties equivalent)	60,433.33	Approved by the Section 151 Officer in December 2013
<b>Recommended Council Tax at Band D for 2014/15</b>	<b>£1,201.85</b>	
2013/14 Council Tax Band D	£1,201.85	
<b>Recommended Increase</b>	<b>£0.00</b>	<b>0% increase</b>

***The figures above exclude parish, fire and police precepts.***

This Council collects Council Tax on the behalf of the parishes, Fire and Police Authorities and the final bills issued will include the Council Tax they have requested this Council to collect. These will form part of the Council's overall budget-setting resolution.

The Police & Crime Commissioner provided an updated draft of the Medium Term Financial Plan to the Avon & Somerset Police and Crime Panel on 11<sup>th</sup> December 2013. This update included the proposal to increase Council Tax by 2% for 2014/15. The Final budget and precept proposal will be presented to the Police and Crime Panel at their meeting on 5<sup>th</sup> February 2014.

The Avon Fire Authority at its meeting on 13<sup>th</sup> December 2013 agreed to consult on the following two budget options:

- Option 1 – a 2% increase in Council Tax
- Option 2 – a Council Tax freeze

The Fire Authority will meet on 7<sup>th</sup> February 2014 to finalise its budget and set its Council Tax and precepts for 2014/2015.

The headline increase will be affected by the final decisions of the parishes, Fire and Police Authorities, and any decision made concerning special expenses (see below). Final figures will not be available until after Fire and Police meetings and decision dates highlighted above.



Table 10 sets out the composite Council Tax likely to be charged:

**Table 10: Potential Total Council Tax 2014/15 (Band D)**

<b>Council Tax charges (Band D) made by</b>	<b>Charge made now 2013/14 £</b>	<b>Proposed Charge 2014/15 £</b>	<b>% Change</b>
Bath and North East Somerset Council	1,201.85	1,201.85	0% (£0.00 at Band D)
Avon and Somerset Police	168.03	TBC	Final Decision to be taken on 5 <sup>th</sup> February 2014.
Avon Fire & Rescue	64.02	TBC	Final decision to be taken on 7 <sup>th</sup> February 2014
<b>Total excluding parishes</b>	<b>1,433.90</b>	<b>TBC</b>	
Parishes (average)	34.45	TBC	Not known at time of writing
<b>Total</b>	<b>1,468.35</b>	<b>TBC</b>	<b>The 2014/15 figure will depend on decisions taken by the Police, Fire and Parish/Town Councils</b>

The precepts required by Parishes, Fire and Police will form part of the Council Tax setting resolution at Council on 18th February 2014, and so the necessary updated information will be set out in the report.

### **Special Expenses**

As part of the 2013/2014 Budget preparation process no special expenses were declared (with the exception of Parish and Town Council precepts). It is proposed that this policy remains unchanged for the 2014/2015 budget.